

General Information Letter: Transfer of all assets of a corporation to its shareholders in liquidation is subject to bulk sale reporting requirements.

April 12, 2002

Dear:

This is in response to your email dated January 22, 2002 which was given to us by the Sales Tax Division this week. Your email states as follows:

Does the Department of Revenue require an Illinois business to file a NUC-542-A, where the business is an Illinois corporation, where the Illinois corporation is going to voluntarily dissolve by the filing of Articles of Dissolution with the Illinois Secretary of State, and where all of the assets after the payment of creditors will be distributed to the shareholders? 35 ILCS 5/902 mentions "transfers," but the form seems geared toward sales.

If so, does the Department require the disclosure of all of the shareholders (as "purchasers"), their addresses and TINs.

According to the Department of Revenue ("Department") regulations, the Department may issue only two types of letter rulings: Private Letter Rulings ("PLR") and General Information Letters ("GIL"). The regulations explaining these two types of rulings issued by the Department can be found in 2 Ill. Adm. Code §1200, or on the website <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

Due to the nature of your inquiry and the information presented in your letter, we are required to respond with a GIL. GILs are designed to provide background information on specific topics. GILs, however, are not binding on the Department.

Section 902(d) of the Illinois Income Tax Act (35 ILCS 5/902) provides:

If any taxpayer, outside the usual course of his business, sells or transfers the major part of any one or more of (A) the stock of goods which he is engaged in the business of selling, or (B) the furniture or fixtures, or (C) the machinery and equipment, or (D) the real property, of any business that is subject to the provisions of this Act, the purchaser or transferee of such assets shall, no later than 10 days after the sale or transfer, file a notice of sale or transfer of business assets with the Chicago office of the Department ..."

Based on the representations in your request that an Illinois corporation is going to dissolve and where all of the assets will be distributed to the corporation's shareholders, a notice will be required under Section 902(d). In your situation, all business assets will be transferred; this certainly qualifies as a "major part" of the business being transferred as is required by Section 902(d). As such, a corporate dissolution falls under the scope of Section 902(d) requiring a notice of transfer to be filed with the Chicago office of the Department.

Please be advised that the form formerly known as NUC-542-A is now Form CBS-1 Notice of Sale or Purchase of Business Assets. For your convenience, enclosed is a copy of the new form. The Department does require the disclosure of all purchasers/transferees. Please attach a separate page identifying the complete list of transferees, their addresses and TINs.

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As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. Should you have additional questions, please do not hesitate to contact our office.

Sincerely,

Heidi Scott

Staff Attorney -- Income Tax